

Iowa Department of Human Services

Offer #401-HHS-005: Child Care

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This offer is for: (choose one)		This offer includes the following appropriations:
X	Status quo existing activity	Child Care, Field Operations, General Administration

Result(s) Addressed:

- Increase in number of children served monthly in Child Care Assistance (CCA)
- Increase percent of CCA expenditures for children that are served in regulated settings
- Maintain the number of registered child development homes
- Maintain the number of providers at Level 2 or higher in Quality Rating System (QRS) to provide access to quality child care

Program Description:

Who:

1,500 licensed child care centers and 5,600 registered child care development homes receive regulatory and consultation time, which benefits all children and families, whether eligible for Child Care Assistance (CCA) or in care with private pay.

The Child Care Assistance program currently provides child care funding for approximately 20,000 children per month, who live with low-income parents who are working or in school. CCA is an essential support for meeting the TANF work requirements. It is estimated over 41,000 children in total are supported by the program.

- In SFY 2009, an average of 22,987 children were served monthly in Child Care Assistance, including children living in families on PROMISE JOBS and Protective Child Care, a number that has steadily risen over the years. Data supports an anticipated average monthly growth of 25 cases per month in SFY 2010 and 55 cases per month in SFY 2011.
- Of the children served monthly with CCA in SFY 2009, 23.8% were infants and toddlers, 40.3% were pre-school age and 35.9% were school age children.

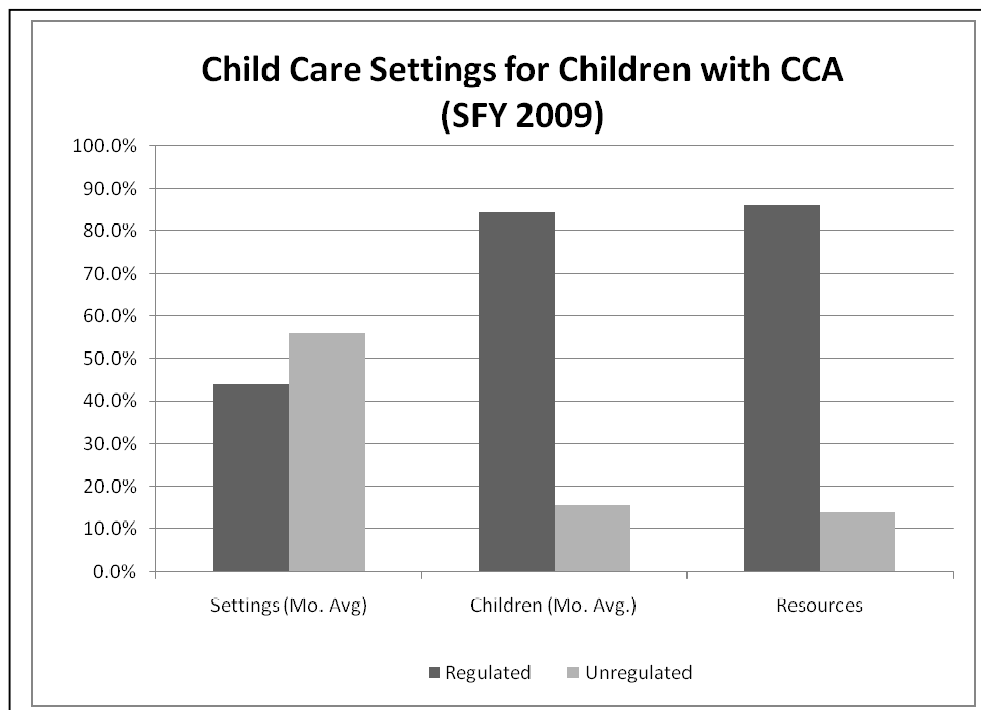
The Child Care offer also directs funding to the five regional Child Care Resource and Referral (CCR&R) agencies for parent referrals and provider support and for supporting Iowa's Quality Rating System (QRS), which was implemented in February 2006.

This offer includes a TANF transfer to the Empowerment Early Childhood Fund distributed based on a formula to Community Empowerment Areas to serve children age 0 to 5 in the community. The offer also includes \$200,000 in TANF directed to the child care program to provide training opportunities specifically to registered child development home providers.

What:

The Child Care program provides funding for:

- **Child Care Regulation:** DHS regulates and provides consultation to 1,500 child care centers and 5,600 child care development homes.
- **Child Care Assistance:** Child Care Assistance (CCA) is an eligibility-based benefit in which a payment is made to an eligible child care provider selected by the parent. The Department provides child care assistance for children whose parents are low-income and are working or in school (including families participating in PROMISE JOBS activities), who are receiving protective child care, or who are in foster care home settings.
- Approximately 84% of all children receiving child care assistance do so because their parents are employed. This is an increase over SFY 2008. Adults who have retained employment have seen a decrease in either wages or the number of hours worked, pushing incomes down. For example, according to the July 2009 Labor Market Review from Iowa Workforce Development:
 - Compared to last year, production workers are averaging \$14.64 less per week. While average hourly earnings are largely unchanged compared to last year, workers are averaging 48 minutes less per workweek.
 - Compared to last year, nondurable goods workers fared the worst, shedding over three hours from the average workweek, and netting \$51.35 less per week in take-home pay.
- In SFY 2009 approximately 16% of children receiving child care assistance resided with a family member receiving FIP.
- Effective October 1, 2008 the child care assistance rate ceiling for regulated providers was increased by 2%.



The chart above shows the settings where children who qualify for CCA receive care. Even though over 56% of the providers receiving CCA payment are unregulated, 84% of the children are in regulated care, and 86% of the resources went to regulated providers.

- Child Care Resource and Referral (CCR&R): The funding for Child Care Resource and Referral agencies supports parent referral services, technical assistance and training for child care providers, and data/assessment services for community planning.
- Quality Rating System: The funding for the Quality Rating System supports technical assistance for providers, training, outreach marketing, environmental assessments, the achievement bonuses for participating providers, and administration.
- Empowerment Early Childhood Funds: Empowerment funds support community-based efforts to expand the capacity and quality of child care settings for children birth to five.
- Quality Improvement Activities: Significant activities to support access to and availability of quality child care settings, funded primarily with federal child care funds, include:
 - Healthy Child Care Iowa, a partnership with the Department of Public Health to improve the health and safety of child care settings.
 - Child care “wraparound” grants that provide full-day, full-year opportunities to over 1,530 children who are being served in high-quality, part-time settings such as Head Start and the state’s Shared Visions preschool programs.
 - T.E.A.C.H. Iowa, a scholarship program for providers seeking post-secondary education to achieve a Child Development Associate certificate, an AA degree and, beginning in SFY 2008, a BA degree.
 - Child Business Practices project provides start-up and emergency funding to child care centers and administers training for directors to receive a National Administrator Credential.
 - Iowa’s Program for Infant and Toddler Caregivers (PITC) designed to ensure training and consultation to improve the quality of infant and toddler care.
 - Grants and training to school-age providers.

How: Program

- Child Care Resource and Referral: Child Care Resource and Referral services are contracted with five regional agencies that sub-contract with community-based agencies to deliver parent referral and child care provider support services statewide. These agencies, under contract also provide home care consultants, QRS consultants and Regional Nurse Consultants to improve conditions and practices in child development homes.
- Child Care “Wraparound” Grants: DHS contracts with local providers to provide full-day, full year care for children otherwise served in part-time settings and increase the quality of care in those settings.
- Healthy Child Care Iowa: DHS contracts with the Department of Public Health to improve the health and safety conditions of child care settings.
- Quality Improvement Efforts: DHS contracts with a host of community-based providers to improve child care through provider professional development, training, consultation and resources.
- Management Information System (MIS): DHS maintains a child care information system that issues payments and sustains Federal claiming, and provides child care related data for field staff, policy makers, Federal reporting, and the general public.

Service Delivery

- Income Maintenance staff located in the DHS service area offices determine family eligibility, develop provider agreements, review provider billings and authorize provider payments for the

child care assistance program. Remittance of payment is made within 10 days of receiving an accurate bill.

- DHS has 11 licensing consultants and one supervisor in local DHS offices across the state to conduct pre-regulation efforts, licensing and registration, and any ongoing monitoring and consultation to the 1,500 child care centers. The current DHS ratio for licensed centers is 136 centers for each DHS licensing consultant. According to the National Association of Regulatory Administration (NARA), the ratio of staff equivalents to regulated settings should be between 50 – 75:1 to be effective in monitoring compliance, safety and improvement consultation services.
- DHS local offices are responsible for registering child development homes, conducting spot-checks and responding to complaints. Currently, DHS attempts to conduct inspections of 20% of the 5,600 child development homes. Local workers perform duties related to child care registration and spot-checks. Some local DHS offices have used Decategorization and Community Empowerment funds to hire contractors, usually CC R&R agencies, to assist in conducting the spot-checks. The legal authority to approve the results of a spot-check rests with DHS. Oversight of contractors is needed to assure contractors are conducting spot-checks in a consistent manner.
- One DHS staff is responsible for conducting state child abuse and criminal record checks for staff and volunteers in licensed child care centers. Approximately 23,000 record checks are conducted annually. The DHS child care licensing staff is responsible for evaluating positive reports to determine if the person may be employed by or volunteer in a licensed child care center. Centers will be responsible for completing their record checks beginning in January 2010. Centers will be able request DHS to conduct the record checks for a fee.
- Local DHS staff conduct state record checks and evaluations for all persons in contact with children in the 5,600 child development homes and in the 6,700 legally operating, non-registered providers receiving CCA. Local DHS staff are responsible for evaluating positive reports to determine if the person can operate a child development home or be a non-registered provider for CCA reimbursement.

Service Support

- Corporate oversight and leadership: Includes overall agency strategic management and accountability for the achievement of results.
- Program support: DHS staff are responsible for developing and maintaining the administrative rules and employees' manual for the child care program to ensure compliance with all relevant state and Federal laws and regulations.
- Program Monitoring: Ongoing program statistics are kept to inform decision making.
- Federal Programs: DHS staff complete and monitor the child care state plan and amendments, and program reporting required to claim Federal funding. DHS staff also coordinate preparation for periodic Federal program reviews.
- Constituent Relations: DHS responds to complaints and questions from providers, parents, and the home based child care union and advocacy organizations. DHS also responds to exceptions to policy.
- Communication: DHS has regular contact with Federal program managers, and responds to legislative requests and the media.
- Legal Services: The Attorney General's office provides legal services for DHS.
- Information Technology: DHS provides maintenance of existing systems and development of new and/or enhanced systems to improve efficiencies and/or customer service.
- Financial Accountability: DHS develops and monitors the State and Federal budgets and provides Federal/State reporting as required.

- **Contract Management:** DHS maintains contracts with private organizations for child care resource and referral services, as well as training and professional development activities for child care providers. This includes managing the procurement process and monitoring contractor performance. Contract and memorandums of agreement are also maintained with other state agencies and universities for provider training and support.
- **Payment:** DHS provides for the distribution of client benefits and provider/vendor payments.
- **Council Support:** DHS provides support to the State Child Care Advisory Council.

American Recovery and Reinvestment Act Impact

In February 2009, Iowa was allocated \$18.1M in ARRA funds for use in child care. \$15.74M is considered discretionary funds with no state match required and \$2.36M is targeted funds to support access to infant/toddler care and to improve the quality of child care. These funds must be expended by September 30, 2011.

The Department was directed by the legislature to allocate the \$2.3M through the Community Empowerment Area (CEA) boards to establish local programs providing sliding scale subsidies for the following children and families:

- Family's gross household income is more than 145% and less than 185% of the U.S. Poverty Guidelines
- The child or children may be up to 24 months of age
- The family is employed, in school or recently unemployed and need care while they seek employment

In addition, the providers for these local programs must be accredited by the National Association for the Education of Young Children or the National Association for Family Child Care, or have a rating at level 3 or higher under the child care quality rating system.

In SFY 2011, \$15.7M of the \$18M ARRA child care funds are recommended to be used to replace TANF appropriated to child care to sustain funding for the anticipated number of children served in the child care assistance program. The TANF funds will be redirected to the Family Investment Program (FIP) to fund the growing caseload.

Offer Description

The purpose of this offer is to support the delivery of Child Care Assistance to low-income families to improve family stability and to enable parents to be employed; to regulate child care providers so that children are safe; and to provide oversight and funding for quality improvement services and activities so that children enter school ready-to-learn.

Today's Activities and Results:

- **Child Care Assistance (CCA):** The State's Child Care Assistance program serves families at 145% of the Federal Poverty Level (FPL), adjusted annually. For a family of 4, this is the equivalent to 45% of State Median Income (SMI).
- Beginning October 1, 2008 the ceiling for registered and licensed child care reimbursement rates were increased by 2% over the current ceiling, which had been set at the 75th percentile of the 2004 Market Rate.
- Beginning January 1, 2010 child care centers will assume responsibility for paying for and acquiring state child abuse and criminal record checks and federal fingerprint checks. Any records that come back with a transgression shall be forwarded to the appropriate DHS field staff for an

evaluation to determine if a child care center employee can be employed. For a fee, centers may request DHS to conduct the state record checks.

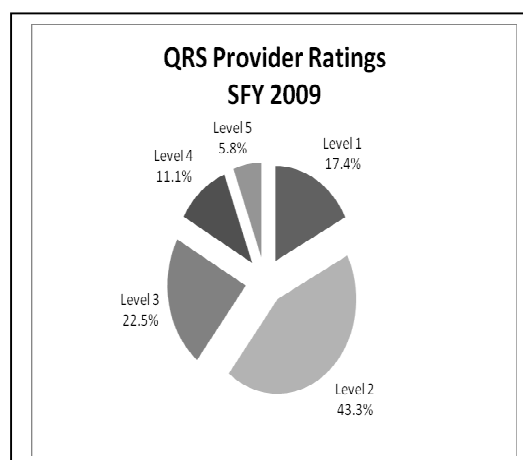
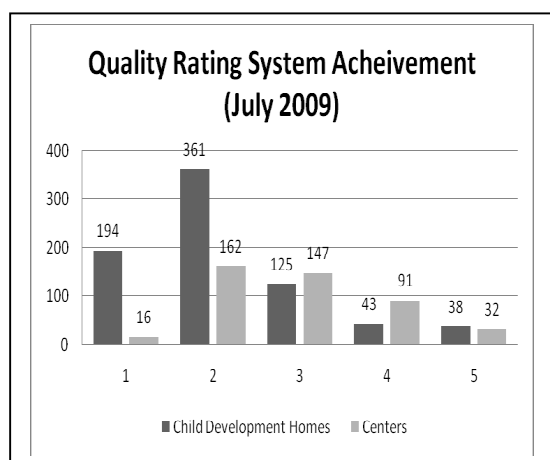
- Beginning April 1, 2010 child care centers who seek licensure or re-licensure, will be required to pay a licensing fee up to \$150 depending on their child care capacity as determined by the DHS licensing consultant.
 - Fees collected will be deposited into a separate child care facility fund and any savings DHS realizes from centers conducting or paying for record checks will be transferred to the child care facilities funds.
 - DHS can use the funds for increasing staff for monitoring and regulation of child care homes. DHS is required to seek to increase the percent of child development homes receiving a spot-check to 40% annually in SFY 2011 and increase incrementally annual spot-checks to 100% in SFY 2014.
 - The funds may also be used for contracting, related technology costs, record checks, grants and fee waivers, and other expenses for inspection and regulation. Any staff positions paid from the fund must be in addition to other positions authorized for DHS.
 - It is estimated in SFY 2010 the combination of fees and savings will be \$62,950. Beginning in SFY 2011 and in subsequent years the annual amount deposited and transferred is estimated to be \$180,400 based upon a stable market of 1,500 licensed child care centers.

The CCA program continues to serve an increasing number of children and families each month.

Monthly Average Caseload	SFY 2008 (Average monthly increase of 130 cases per month)	SFY 2009 (Average monthly increase of 102 cases per month)	SFY 2010 (Estimated (adjusted) monthly increase of 25 cases per month)	SFY 2011 (Estimated monthly increase of 55 cases per month)
Child Care Assistance	19,193	20,002	19,798	20,304
Protective Child Care	1,106	1,129	1,134	1,140
PROMISE JOBS Child Care	1,731	1,856	2,103	2,198
TOTAL	22,030	22,987	23,035	23,642

- Iowa's Quality Rating System (QRS): Implemented in February 2006, the QRS is a menu of key indicators used to assess the quality of child care. The QRS is a five-star rating system in which providers voluntarily choose to participate. A one star program has maintained compliance with licensing and registration standards. A two star provider has achieved additional training and conducted self-assessments to prepare to move to the next levels of quality. Providers with 3-5 stars have received points in categories related to professional development, health and safety, environments, administration, and family and community partnerships. Funding for QRS supports administration, marketing and public awareness, QRS specialists located in CCR&R offices, environment training and assessments, and achievement bonuses.

As of July 2009, over 1,200 certificates have been awarded, with the majority rated a two star program. 29.8% of all child care centers and 13.6% of all child care homes voluntarily worked toward and received a QRS rating.



In SFY 2009, 82.7% of participating child care providers achieved a QRS rating of 2 or higher.

In SFY 2010, an estimated 1,600 providers are projected to need environment rating scale training, and 200 will receive environment rating scale assessments to enter the program or seek a new rating. It is estimated 1,000 participants will receive an achievement bonus for achieving a level 2 or higher.

In SFY 2011, an estimated 1,200 providers are projected to need environment rating scale training, and 200 will receive environment rating scale assessments. However as providers work on quality improvement activities, the percent of ratings of 2 or higher is anticipated to rise to 85%, increasing the amount of achievement bonuses.

- **Child Care Resource and Referral Agencies:** CCR&R provide referral services to thousands of parents each year who are seeking child care, offer over 30,000 consumer education opportunities, and are the primary source of training and technical assistance for child care providers.
- **Regulation of Child Care Providers:** Regulation of child care facilities supports pre-regulation efforts, licensing and registration, and ongoing monitoring and consultation to child care centers and child development homes. This offer supports the above regulatory efforts, including the completion of record checks and evaluations of all persons in contact with children in child care settings, as well as non-registered providers who receive payment under the State Child Care Assistance program. Regulation and consultation is provided to approximately 1,500 licensed child care centers, 5,600 child development homes, and record checks for 6,700 non-registered providers paid under the CCA program.
- The new child care management information system and child care training registry, called Kindertrack, is anticipated to be fully operational by the end of 2010. All regulatory and child care assistance information will be on the system. In addition, child care providers will be able to bill for child care assistance payments on-line; and they will be able to view, register for, and keep a record of all completed training on-line as part of their requirements for registration and licensure.

Offer Justification:

Legal Requirements:

Federal:

Requirements are found in the Code of Federal Regulations for the Child Care Development Fund.

State:

The Child Care Assistance program, and DHS regulatory responsibility and quality improvement directions are outlined in Iowa Code 237A. Funding to support Empowerment Early Childhood Funds is also specified in Iowa Code and the DHS appropriations bill.

Rationale:Strengthen and Support Families

Child care assistance plays a critical role in supporting Iowa's families.

- Many Iowa families need support in securing and paying for quality child care providers. Safe, reliable and affordable child care is the primary support necessary for families to achieve and maintain self-sufficiency.
- Many Iowa working families struggle to find and afford quality care. For families with preschool children, child care is their second highest living expense after a mortgage. An Iowa family with two children spends an annual average of over \$9,000 for child care.
- Almost half of all Iowa families with young children earn less than \$35,000. In Iowa, the number of working parents has created an increased demand for child care, as has the large percentage of Iowans making \$10/hour or less.

The State's Child Care Assistance program serves families at 145% of the Federal Poverty Level (FPL), adjusted annually. To put this in perspective—for a family of four:

State Median Income (SMI) for Iowa = \$70,967

Current eligibility for child care assistance at 145% FPL = \$31,980

$$\frac{\$31,980 \text{ (145\% of FPL)}}{\$70,967 \text{ (SMI)}} = 45\% \text{ of SMI}$$

Safe and Healthy Living Environments for Children

Child care regulation and quality improvement activities are designed to ensure that children are cared for in safe and healthy living environments. On any given day, approximately 180,000 Iowa children are in some form of child care while their parents work or attend school. Iowa consistently ranks in the top five states in the nation in the percentage of families with preschool children in which all parents in the household are employed and in the percentage of families with school-aged children in which all parents in the household are employed.

- Infant brain research demonstrates that a child's first three years of life are a prime time for brain development. 80% of cognitive development occurs before a child's 3rd birthday. Environments that support the stimulation and nurturing of children play a crucial role in developing the full capacity of a child to learn. The caregiver relationship (parent and provider to child) is the single strongest determinant of a child's emotional and social development. Supporting retention of providers to maintain continuity of caregivers is critical for Iowa's youngest children.
- A 2003 study by the Midwest Child Care Research Consortium found that the quality of family child care was significantly higher if the providers were "licensed" or annually monitored than for Iowa's "registered" providers.
- Finally, we know from research conducted by the High Scope/Perry Preschool Study, that adults born in poverty who participated in a high quality, early childhood program have had fewer criminal arrests, higher earnings and property/wealth, and greater commitment to marriage. From that study, for every dollar that was originally invested, the public received an estimated \$7.16 return on investment over the participant's lifetime.

Results:

Result:	SFY 2009 Actual Level	SFY 2010 Projected Level	SF 2011 Offer Level
Increase in average number of children served monthly in Child Care Assistance	22,987	23,035	23,642
Increase the percent of CCA expenditures for children that are served in regulated settings	86%	87%	88%
Maintain number of registered child development homes	5,600	5,600	5,600
Maintain the number of providers at Level 2 or higher in QRS to provide access to quality child care	999	1,000	1,000

Sustaining service delivery assumes the level of funding requested in the offer, as well as full funding of salary adjustment. If salary adjustment is not received for SFY 2011, this would be the equivalent of the loss of an estimated 0.97 general admin FTE's and 4.25 field FTE's. If funding is insufficient in either area, results to be achieved will be modified to reflect the impact.